This document is a translation of the Japanese financial statements and is not in conformity with the accounting principles of the United States.

Summary of Consolidated Financial Statements for the Fiscal Year ended December 31, 2015 (Japanese GAAP)

February 12, 2016

Name of Listed Company: Nabtesco Corporation
Stock listed on: the First Section of the Tokyo Stock Exchange
Code Number: 6268
URL: http://www.nabtesco.com
Representative: Title: President and CEO
Name: Kazuaki Kotani
Inquiries: Title: General Manager, General Administration Div.
Name: Toshihiro Matsumoto TEL: +81-3-5213-1133
Scheduled Date of Annual Shareholders Meeting: March 24, 2016
Scheduled Date of Dividend Payment: March 25, 2016
Scheduled Date of Issue of Financial Report: March 25, 2016
Availability of supplementary information: Yes
Organization of financial result briefing meeting: Yes (for institutional investors and financial analysts)

(Amounts less than 1 million yen have been rounded down)

1. Consolidated Operating Results for FY 2015 (April 1, 2015 to December 31, 2015)

(1) Consolidated Operating Results

(Percentages indicate the year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY 2015	187,000	–	15,294	–	16,418	–	11,059	–
FY 2014	219,657	8.6	23,615	17.5	27,193	12.2	17,746	18.5

(Note) Comprehensive income:
FY 2015: ¥6,004 million [—%] FY 2014: ¥24,241 million [(5.3%)]

	Net income per share	Fully diluted net income per share	Return on shareholders' equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
FY 2015	88.85	88.75	7.6	6.9	8.2
FY 2014	140.24	139.99	12.6	11.3	10.8

(Reference) Investment profit/loss on equity method:
FY 2015: ¥1,710 million FY 2014: ¥2,116 million

The consolidated fiscal year ended December 2015 is a transitional period for a change in accounting period, in which the consolidated operating results cover nine months (April 1, 2015 to December 31, 2015) for companies that close their accounts in March, as opposed to 12 months (January 1, 2015 to December 31, 2015) for companies that close their accounts in December. Therefore, the percentage of year-on-year changes has been omitted in the tables above. In addition, net income per share, fully diluted net income per share, return on shareholders' equity, ratio of ordinary income to total assets and ratio of operating income to net sales for the fiscal year ended December 2015 indicate figures based on income during the aforementioned consolidation periods.

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY 2015 (as of December 31, 2015)	233,381	148,924	60.9	1,150.41
FY 2014 (as of March 31, 2015)	245,992	158,664	60.9	1,184.17

(Reference) Shareholders' equity:
As of December 31, 2015: ¥142,068 million As of March 31, 2015: ¥149,862 million

(3) Consolidated Cash Flows

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash and cash equivalents at fiscal year-end
	Million yen	Million yen	Million yen	Million yen
FY 2015	8,746	(4,886)	(19,090)	34,709
FY 2014	19,949	(7,880)	(15,888)	50,455

2. Dividends

	Dividends per share					Total dividends paid (Annual)	Payout ratio (Consolidated)	Dividend on equity ratio (Consolidated)
(Base date: as of end of the period)	First quarter	Second quarter	Third quarter	Year end	Full year			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY 2014	–	20.00	–	24.00	44.00	5,597	31.4	4.0
FY 2015	–	22.00	–	22.00	44.00	5,462	49.5	3.8
FY ending December 31, 2016 (Forecast)	–	24.00	–	26.00	50.00		32.7	

3. Forecast of Consolidated Operating Results for FY 2016 (January 1, 2016 to December 31, 2016)

(Percentages indicate the year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Six-month period ending June 2016	118,000	–	10,000	–	11,100	–	7,700	–	62.35
FY 2016	250,000	–	25,500	–	27,000	–	18,900	–	153.04

Since the consolidated fiscal year ended December 2015 is a transitional period for the change in accounting period, the percentage of year-on-year changes for the forecast of consolidated operating results for the fiscal year ending December 2016 has been omitted in the table above.

* Matters of note:

(1) Changes in significant subsidiaries during the fiscal year (Changes in specified subsidiaries resulting in a change in the scope of consolidation): None

Newly added: 0 (Company name:) Excluded: 0 (Company name:)

(2) Changes in accounting policies, accounting estimates and restatement of corrections

1) Changes in accounting policies resulting from the revision of the accounting standards and other regulations: Yes
2) Other changes in accounting policies: None
3) Changes in accounting estimates: None
4) Restatement of corrections: None

(3) Shares outstanding (Common shares)

1) Number of shares outstanding (including treasury stock) as of the end of the term:	As of December 31, 2015: 125,133,799 As of March 31, 2015: 128,265,799
2) Number of shares of treasury stock:	As of December 31, 2015: 1,639,476 As of March 31, 2015: 1,710,998
3) Average number of shares during the term:	FY 2015: 124,471,488 FY 2014: 126,541,932

[Reference] Overview of Non-Consolidated Operating Results

1. Non-Consolidated Operating Results for FY 2015 (April 1, 2015 to December 31, 2015)

(1) Non-Consolidated Operating Results

(Percentages indicate the year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY 2015	106,497	–	11,780	–	15,382	–	11,627	–
FY 2014	141,158	9.9	18,061	25.7	23,656	28.8	16,970	46.0

	Net income per share	Fully diluted net income per share
	Yen	Yen
FY 2015	92.92	92.81
FY 2014	133.41	133.18

Since the consolidated fiscal year ended December 2015 is a transitional period for the change in accounting period, the percentage of year-on-year changes has been omitted in the tables above. Net income per share and fully diluted net income per share for the fiscal year ended December 2015 indicate figures based on income for nine months.

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY 2015 (as of December 31, 2015)	164,275	99,082	60.1	795.00
FY 2014 (as of March 31, 2015)	174,106	104,468	59.8	818.12

(Reference) Shareholders' equity:

As of December 31, 2015: ¥98,702 million As of March 31, 2015: ¥104,077 million

2. Forecast of Non-Consolidated Operating Results for FY 2016 (January 1, 2016 to December 31, 2016)

(Percentages indicate the year-on-year changes)

	Net sales		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Yen
Six-month period ending June 2016	73,000	–	9,600	–	7,100	–	57.19
Fiscal year ending December 2016	152,000	–	20,300	–	15,000	–	120.82

Since the consolidated fiscal year ended December 2015 is a transitional period for the change in accounting period, the percentage of year-on-year changes for the forecast of non-consolidated operating results for the fiscal year ending December 2016 has been omitted in the table above.

* Current status of audit procedures

・This "Summary of Consolidated Financial Statements" is not subject to audit procedures as stipulated under the Financial Instruments and Exchange Act, and the audit procedures based on the said Act have not been completed as of the date of publication of this summary.

* Description concerning proper use of the forecast of operating results and other remarks:

・Descriptions in this document concerning future figures including forecasts for operating results, etc. are based on currently available information and certain assumptions that the Company considers reasonable. Actual results may vary significantly from such forecasts due to a variety of factors. Please refer to "1. Analysis of Consolidated Operating Results and Financial Position (1) Analysis of Consolidated Operating Results (Projection for the consolidated fiscal year ending December 31, 2016)" on page 4 of the attached document.

・The Company will hold a financial results presentation meeting on February 18, 2016 for institutional investors and financial analysts. Images and details of the meeting (audio) together with the financial materials distributed at the meeting will be posted on the website immediately after the meeting.

Table of Contents of the Attached Documents

1. Analysis of Consolidated Operating Results and Financial Position

(1) Analysis of Consolidated Operating Results

(Consolidated Operating Results for FY 2015)

During consolidated FY 2015(*), the growth of the global economy remained moderate as a whole, represented on the one hand by the robust pace of growth in the United States and a continued gradual recovery trend in Europe, and on the other hand by the economic deceleration in emerging countries as observed in the slower growth of the Chinese economy as well as the stagnant economies of the Southeast Asian countries.

In the Japanese economy, while a recovery trend persisted as observed in the increased capital expenditure in addition to the improvement of personal consumption and employment conditions, some signs of weakening exports and production became visible on the back of the deceleration of the economies of emerging countries.

Under these circumstances, the consolidated operating results of the Group for the period under review recorded net sales of ¥187,000 million, operating income of ¥15,294 million, ordinary income of ¥16,418 million and net income attributable to owners of the parent of ¥11,059 million, mostly reflecting the sluggish hydraulic equipment business in China despite robust performance in the Japanese market.

(*) The consolidated fiscal year ended December 2015 is a transitional period for the change in accounting period, in which the consolidated operating results cover nine months (April 1, 2015 to December 31, 2015) for companies that close their accounts in March, as opposed to 12 months (January 1, 2015 to December 31, 2015) for companies that close their accounts in December.

1) Amount of orders received, net sales and operating income

The amount of orders received for the consolidated fiscal year under review was ¥187,155 million. Net sales and operating income were ¥187,000 million and ¥15,294 million, respectively. Operating margin was 8.2%.

Operating results by business segment were as follows:

Operating results by business segment

[Amount of orders received]

(Million yen)

	Previous fiscal year (ended March 2015) (Consolidated basis)	Current fiscal year (ended December 2015) (Consolidated basis)	Change (%)
Precision equipment	54,960	45,187	–
Transport equipment	64,749	46,718	–
Aircraft and hydraulic equipment	51,327	40,840	–
Industrial equipment	60,537	54,409	–
Total	231,575	187,155	–

Note: Percentages for the year-on-year change are omitted since the consolidated fiscal year under review is a transitional period for the change in accounting period.

[Net sales]

(Million yen)

	Previous fiscal year (ended March 2015) (Consolidated basis)	Current fiscal year (ended December 2015) (Consolidated basis)	Change (%)
Precision equipment	51,547	45,327	–
Transport equipment	61,388	46,848	–
Aircraft and hydraulic equipment	47,857	39,524	–
Industrial equipment	58,863	55,299	–
Total	219,657	187,000	–

Note: Percentages for the year-on-year change are omitted since the consolidated fiscal year under review is a transitional period for the change in accounting period.

[Operating income]

(Million yen)

	Previous fiscal year (ended March 2015) (Consolidated basis)	Current fiscal year (ended December 2015) (Consolidated basis)	Change (%)
Precision equipment	8,356	6,824	–
Transport equipment	11,355	7,890	–
Aircraft and hydraulic equipment	995	(2,029)	–
Industrial equipment	2,908	2,610	–
Total	23,615	15,294	–

Note: Percentages for the year-on-year change are omitted since the consolidated fiscal year under review is a transitional period for the change in accounting period.

[Precision Equipment]
The amount of orders received for precision equipment was ¥45,187 million. Net sales and operating income were ¥45,327 million and ¥6,824 million, respectively.

Sales of precision reduction gears grew, reflecting strong demand for industrial robots, machine tools and other FA applications. However, due to the effect of reduced production by some robot manufacturers during the third quarter (October 1, 2015 to December 31, 2015), sales in the precision equipment business turned out to be slightly below the forecast at the beginning of the period.

[Transport Equipment]
The amount of orders received for transport equipment was ¥46,718 million. Net sales and operating income were ¥46,848 million and ¥7,890 million, respectively.

The railroad vehicle equipment business was negatively affected by the delayed Chinese high-speed railway project despite brisk domestic demand for new cars and expanded repair parts business. The commercial vehicle equipment business continued to face stagnant demand from ASEAN countries despite favorable growth in domestic demand for trucks. In the marine vessel equipment business, there were partial cancellations of shipbuilding work in hand due to the deteriorating Chinese market. As a result, sales in the transport equipment business fell below the forecast at the beginning of the period.

[Aircraft and Hydraulic Equipment]
The amount of orders received for aircraft and hydraulic equipment was ¥40,840 million. Net sales and operating loss were ¥39,524 million and ¥2,029 million, respectively.

The hydraulic equipment business has been significantly affected by the decreased demand for construction machinery in China although the aircraft equipment business remained robust on the back of brisk sales of aircraft in the private sector and demand from the Ministry of Defense. Consequently, sales in the aircraft and hydraulic equipment business fell significantly short of the forecast at the beginning of the period.

[Industrial Equipment]
The amount of orders received for industrial equipment was ¥54,409 million. Net sales and operating income were ¥55,299 million and ¥2,610 million, respectively.

In the automatic door business, sales remained robust both in Japan and overseas thanks to foreign exchange translation effects among other factors. In the packaging machinery business, however, stagnant demand in the overseas market negatively impacted sales. As a result, sales in the industrial equipment business stood slightly lower than the forecast at the beginning of the period.

Reference: Information by region

[Net sales]

(Million yen)

	Previous fiscal year (ended March 2015) (Consolidated basis)	Current fiscal year (ended December 2015) (Consolidated basis)	Change (%)
Japan	121,915	93,550	–
China	26,856	19,110	–
Other Asia	16,237	16,875	–
North America	18,888	21,470	–
Europe	35,058	35,106	–
Other areas	700	886	–
Total	219,657	187,000	–

Notes:
1. Percentages for the year-on-year change are omitted since the consolidated fiscal year under review is a transitional period for the change in accounting period.
2. Net sales are classified by country or region based on the location of the buyer.
3. Unlike the previous consolidated fiscal year, the consolidated fiscal year ended December 2015 is a transitional period for the change in accounting period, in which the consolidated operating results cover nine months (April 1, 2015 to December 31, 2015) for companies that close their accounts in March, as opposed to 12 months (January 1, 2015 to December 31, 2015) for companies that close their accounts in December.

2) Ordinary income

Consolidated ordinary income was ¥16,418 million reflecting non-operating income of ¥2,476 million mainly consisting of investment gains of ¥1,710 million from equity-method affiliates, and non-operating expenses of ¥1,352 million largely due to a foreign exchange loss equivalent to ¥986 million.

3) Net income attributable to owners of the parent

Income before income taxes and adjustments for the consolidated fiscal year under review was ¥15,358 million as a result of extraordinary income of ¥2,096 million arising mainly from a gain on sales of marketable securities and investment in securities of ¥2,064 million, and extraordinary losses of ¥3,156 million mainly due to impairment loss from fixed assets at consolidated subsidiaries of ¥2,111 million yen, loss on revision of the retirement benefit plan of ¥385 million, a loss on disposal of fixed assets of ¥336 million, and business structure improvement expenses of ¥287 million yen.

In summary, net income attributable to owners of the parent was ¥11,059 million, net of corporate, resident and business taxes, adjustment for corporate and other taxes, and net loss attributable to non-controlling interests. Net income per share was ¥88.85 and return on equity was 7.6%.

(Projection for the consolidated fiscal year ending December 31, 2016)

As evidenced in the New Five-year Plan, the Chinese economy has been structurally shifted from investment-oriented growth to consumption-oriented growth. As a result, the high growth rates seen in the past can no longer be expected, and there are concerns regarding the negative impact of a decline in demand for capital investment in China on the global economy. The U.S. economy, on the other hand, is expected to grow moderately on the back of strong domestic demand underpinned by steady growth in employment despite downturns in corporate earnings due to the slowdown of emerging economies and the appreciation of the U.S. dollar. The European economy is also forecasted to remain resilient due to additional monetary easing by the Central European Bank in spite of uncertainties such as a number of terrorist attacks and the refugee problem.

The Group expects soaring demand for precision reduction gears for industrial robots, an increase in demand for equipment for railroad vehicles and an expansion of sales in the automatic door business.

The Company had changed its account closing date from March 31 to December 31 effective from the fiscal year ended December 2015. Accordingly, since the consolidated fiscal year ended December 2015 is a transitional period, year-on-year comparison of the forecasts of consolidated operating results for the fiscal year is not available.

In summary, the Company forecasts net sales and operating income will reach ¥250,000 million and ¥25,500 million, respectively, for the next consolidated fiscal year.

Forecasts for operating results by business segment are as follows:

Forecasts for the fiscal year ending December 2016 by business segment

[Net sales]

(Million yen)

Reportable segment	Actual result for the current fiscal year (ended December 2015)	Forecast for the next fiscal year (ending December 2016)	Change (%)
Precision equipment	45,327	61,000	–
Transport equipment	46,848	65,500	–
Aircraft and hydraulic equipment	39,524	47,400	–
Industrial equipment	55,299	76,100	–
Total	187,000	250,000	–

Note: Percentages for the year-on-year change are omitted since the consolidated fiscal year under review is a transitional period for the change in accounting period.

Reportable segment	Forecast for the first six-month period of the next fiscal year (January 1, 2016 to June 30, 2016)		Forecast for the next fiscal year (January 1, 2016 to December 31, 2016)	
	Amount (Million yen)	Composition ratio (%)	Amount (Million yen)	Composition ratio (%)
Precision equipment	29,800	25.2	61,000	24.4
Transport equipment	31,500	26.7	65,500	26.2
Aircraft and hydraulic equipment	22,600	19.2	47,400	19.0
Industrial equipment	34,100	28.9	76,100	30.4
Total	118,000	100.0	250,000	100.0

[Operating income]

(Million yen)

Reportable segment	Actual result for the current fiscal year (ended December 2015)	Forecast for the next fiscal year (ending December 2016)	Change (%)
Precision equipment	6,824	8,800	–
Transport equipment	7,890	11,200	–
Aircraft and hydraulic equipment	(2,029)	0	–
Industrial equipment	2,610	5,500	–
Total	15,294	25,500	–

Note: Percentages for the year-on-year change are omitted since the consolidated fiscal year under review is a transitional period for the change in accounting period.

Reportable segment	Forecast for the first six-month period of the next fiscal year (January 1, 2016 to June 30, 2016)		Forecast for the next fiscal year (January 1, 2016 to December 31, 2016)	
	Amount (Million yen)	Operating margin (%)	Amount (Million yen)	Operating margin (%)
Precision equipment	4,000	13.4	8,800	14.4
Transport equipment	4,900	15.6	11,200	17.1
Aircraft and hydraulic equipment	(700)	(3.1)	0	0.0
Industrial equipment	1,800	5.3	5,500	7.2
Total	10,000	8.5	25,500	10.2

(2) Analysis of Financial Position

(Million yen)

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Total assets	208,092	203,056	233,984	245,992	233,381
Liabilities	100,625	82,198	94,513	87,327	84,456
Net assets	107,466	120,857	139,471	158,664	148,924
Cash flow from operating activities	15,104	12,952	27,597	19,949	8,746
Cash flow from investing activities	(27,464)	(13,693)	(8,064)	(7,880)	(4,886)
Free cash flow	(12,359)	(741)	19,533	12,068	3,859
Cash flow from financing activities	6,035	(10,090)	(8,175)	(15,888)	(19,090)
ROA (%)	7.6	6.5	6.9	7.4	4.6
ROE (%)	15.6	12.5	12.2	12.6	7.6

Notes: ROA (Return on Assets): Net income attributable to owners of the parent /Average total assets from the beginning of the period to the end of the period

ROE (Return on Equity): Net income attributable to owners of the parent /Average shareholder equity from the beginning of the period to the end of the period

* Each of the above indicators has been calculated based on the financial values on a consolidated basis.
* Since the consolidated fiscal year under review is a transitional period for the change in accounting period, various cash flows, ROA and ROE for the consolidated fiscal year ended December 2015 cover different periods from the previous consolidated fiscal year.

1) Status of assets, liabilities and net assets

(Assets)

Total assets as of December 31, 2015 were ¥233,381 million, a decrease of ¥12,611 million from March 31, 2015, reflecting ¥128,575 million in current assets and ¥104,805 million in fixed assets. Key contributing positive factors included increases of ¥3,256 million in inventory assets, ¥2,635 million in notes and accounts receivable and ¥1,436 million in goodwill, while the primary contributing negative factors were decreases of ¥12,088 million in cash and time deposits, ¥4,000 million in marketable securities, ¥2,373 million in investment securities and ¥1,033 million in deferred tax assets.

(Liabilities)

Total liabilities as of December 31, 2015 were ¥84,456 million, a decrease of ¥2,871 million from March 31, 2015, reflecting ¥73,000 million in current liabilities and ¥11,456 million in long-term liabilities. The main contributing positive factor was a rise of ¥1,035 million in trade notes and accounts payable, while the primary contributing negative factors were decreases of ¥3,609 million in income taxes payable, ¥1,370 million in deferred tax liabilities and ¥1,234 million in short-term loans payable.

(Net assets)

Total net assets as of December 31, 2015 stood at ¥148,924 million. Shareholders' equity amounted to ¥142,068 million, a decrease of ¥7,793 million from March 31, 2015. The key contributing positive factor was growth in earned surplus arising from net income attributable to owners of the parent of ¥11,059 million. Meanwhile, primary negative contributing factors included a decrease of ¥10,002 million due to purchase of treasury stock, a ¥5,784 million decrease in earned surplus due to dividend payments, ¥1,379 million in translation adjustments due to changes in foreign exchange at overseas subsidiaries, and ¥1,288 million in net unrealized loss on securities.

As a result, shareholders' equity ratio stood at 60.9% and net assets per share amounted to ¥1,150.41.

2) Status of cash flows

Cash and cash equivalents (hereinafter, "capital") as of December 31, 2015 stood at ¥34,709 million, a decrease of ¥15,745 million from the end of consolidated FY 2014, reflecting ¥8,746 million in capital gained from operating activities, which was mainly used for the purchase of treasury stock, capital expenditure and dividend payments.

(Cash flow from operating activities)

Net cash generated from operating activities for the current consolidated fiscal year totaled ¥8,746 million. Principal positive factors included increases in income before income taxes. The main negative factor was the increase in income taxes paid.

(Cash flow from investing activities)

Net cash used in investing activities for the current consolidated year amounted to ¥4,886 million, mainly due to the acquisition of tangible fixed assets.

(Cash flow from financing activities)

Net cash used in financing activities for the consolidated fiscal year under review totaled ¥19,090 million, primarily reflecting the purchase of treasury stock and dividend payments.

Cash flow indicators on a consolidated basis were as follows.

Reference: Cash flow indicators

	FY 2011 (From April 1, 2011 to March 31, 2012)	FY 2012 (From April 1, 2012 to March 31, 2013)	FY 2013 (From April 1, 2013 to March 31, 2014)	FY 2014 (From April 1, 2014 to March 31, 2015)	FY 2015 (From April 1, 2015 to December 31, 2015)
Shareholders' equity ratio (%)	47.6	56.2	56.0	60.9	60.9
Shareholders' equity ratio on a market value basis (%)	103.1	121.4	128.4	179.0	131.1
Ratio of interest-bearing debt to cash flow (%)	2.1	2.0	0.9	0.8	1.8
Interest coverage ratio (%)	81.1	53.3	116.0	96.4	58.3

Notes: Shareholders' equity ratio: capital/total assets
Shareholders' equity ratio on market value basis: total market value of shares/total assets
Ratio of interest-bearing debt to cash flow: interest-bearing debt/cash flow
Interest coverage ratio: cash flow/interest payments

* All indicators are calculated using consolidated financial figures.
* Total market value of shares is calculated using multiplying the closing market prices at term-end by the number of outstanding shares (excluding treasury stock) at term-end.
* Cash flow utilizes the cash flow from operating activities posted in the consolidated cash flow statement.
  Interest-bearing debt covers all debts in the consolidated balance sheet on which interest is being paid.
  The amount of interest paid listed in the consolidated cash flow statement is used for interest payments.

(3) Basic Policy Concerning Profit Sharing and Dividends for the Current and Next Fiscal Years

The Company intends to appropriately distribute its corporate earnings based on the operating performance of the Group as a whole, and taking into consideration strategic growth investments, financial soundness, appropriate balance of return to shareholders and stable dividend payment.

As for cash dividends for the current fiscal year, the total annual amount will be ¥44 per share. As an interim dividend of ¥22 per share has already been paid, the term-end cash dividend will be ¥22 per share.

While the Group has set a dividend policy that the target pay-out ratio shall be 30% or higher on a consolidated basis and that dividends will not be cut unless the pay-out ratio exceeds 40% on a consolidated basis in its Medium-Term Management Plan which commenced in FY 2014, the payout ratio on a consolidated basis will be 49.5% for the current fiscal year, which is a transitional period for the change in accounting period.

The annual cash dividend for the next fiscal year is expected to be ¥50 per share (interim dividend of ¥24 plus term-end dividend of ¥26 per share). The Company will continue to pay cash dividends twice yearly, of which the base dates will be June 30 and December 31 of each year.

(4) Operational Risk

Principal risks relevant to the business activities of the Group and deemed significant are as follows. Note that the risks regarding future contents included in the matters described below were based on the judgment of the Company as of the end of the current consolidated fiscal year.

1) Risks relevant to the economy and markets

The Group's businesses are directly or indirectly related to a number of industries, including automobile, construction machinery, railroad, construction, and industrial machinery, in Japan and overseas. Market fluctuations and trends in capital expenditure in these industries may affect the operating results and financial position of the Group.

2) Risks relevant to overseas operations

In pursuit of further growth and profitability, the Group actively conducts business mainly in Asia, North America, and Europe. Therefore, the Group is subject not only to economic and market risks but also to political turmoil and unforeseeable amendments to laws and regulations in various countries, which may affect the markets for particular products. Such events are likely to impact the operating results of the Group.

3) Risks relevant to large-scale disasters

With the aim of minimizing damage and losses arising from disasters such as typhoons, earthquakes, floods, and pandemics, the Group has implemented the formulation of a business continuity plan along with the establishment of an emergency contact system, and has also been conducting training drills. However, the business activities of the Group that center on production may be affected by the occurrence of disasters causing human casualties and physical damage, stagnation in procurement of materials, and disruption of distribution networks. Furthermore, there is no guarantee that any loss from disasters will be fully covered through property and/or other insurance.

4) Risks relevant to exchange rate fluctuations

The Group's overseas sales have been increasing every year. The Group also relies on imports of raw materials from overseas and, though it hedges its risks in foreign currency-denominated transactions through forward-exchange contracts, the Group's performance is nonetheless affected by exchange rate fluctuations. The performance of overseas subsidiaries is also impacted by exchange rate fluctuations when converting to Japanese yen.

5) Risks relevant to procurement

The Group purchases raw materials and components, etc. from a wide range of trading partners. However, if the supply of certain parts were to become insufficient and alternative suppliers could not be found, the Group's performance and financial standing could be adversely impacted by lower sales margins on products and loss of business opportunities.

6) Risks relevant to product quality

The Group manufactures a full lineup of products in line with carefully designed quality control standards to prevent defects. However, in case of significant product defects leading to a recall or product liability issues occurring, the potentially massive costs arising from such a situation could adversely impact the Group's performance and financial standing.

7) Risks relevant to competition

The Group has a wide lineup of products with high market shares in the domestic and overseas markets. If the market shares of its products were to fall, the Group's performance and financial standing could be adversely impacted.

8) Risks relevant to information security

The Group obtains personal information and confidential information of its customers and trading partners through business activities, and holds confidential information of its business and technologies. The Group implements the enhancement of control systems and employee education for the management of such information, and takes appropriate security measures, including both the hardware and software of information systems. However, in the event of a leakage of information, or destruction or falsification of important data, or system halt due to the unexpected levels of cyber attacks, unauthorized access, or intrusion of computer viruses, etc., the Group's credibility could suffer or its business performance and financial position could be adversely impacted.

9) Risks relevant to intellectual property

The Group protects internally developed technologies under intellectual property rights, including patents, and holds such intellectual property rights under strict management, while paying close attention not to infringe the intellectual property rights of third parties. If, however, a third party infringes the intellectual property rights of the Group, or the Group faces any infringement alleged by a third party, the Group's business performance and financial position could be adversely affected.

10) Risks relevant to laws, ordinances and regulations

The Group operates its businesses globally, and is subject to the laws and regulations of the relevant countries and regions. In addition to thorough compliance with laws and regulations relating to its businesses, the Company has established a Code of Corporate Ethics of an even higher standard to reinforce its compliance system. Despite these intense efforts, however, it is impossible to completely eliminate risks concerning compliance, including individual illegal acts. In case of a material violation against laws and regulations, the Group's business performance and financial position could be adversely affected.

11) Risks relevant to environment

Recognizing the impacts of business activities on the global environment, the Group exerts efforts to improve energy efficiency, save resources, reduce hazardous substances and raise recycling efficiency in planning, developing, and designing its products. Furthermore, in manufacturing, selling, and distributing products, and providing services, the Group strives to cut down environmental burdens by positively introducing and applying advanced environmental technologies in pursuit of the reduction of CO_2 emissions, effective use of resources, and challenges to zero emission. However, in the case of environmental pollution caused by the Group's business activities, the Group's business performance and financial position could be adversely affected due to decontamination costs and compensation for damage, etc. and the loss of credibility.

2. Status of the Nabtesco Group

The Nabtesco Group consists of the Company, 48 subsidiaries and 10 affiliates. Each company under the respective segment by business category is listed below.

(1) Relationship of the Company, Subsidiaries and Affiliates with the Respective Segments by Business Category

As of December 31, 2015

Segment by business category	Japan	Overseas
Precision Equipment Business	Nabtesco Corporation Diavac Limited *1 CMET, Inc. *1 Harmonic Drive Systems Inc. *2, 3	Nabtesco Precision Europe GmbH *1 Nabtesco Motion Control Inc. *1 Nabtesco (China) Precision Equipment Co., Ltd. *1 Changzhou Nabtesco Precision Machinery Co., Ltd. *1 Shanghai Nabtesco Motion Equipment Co., Ltd. *2 Harmonic Drive L.L.C. *2
Transport Equipment Business	Nabtesco Corporation Shikoku Marine Customer Service Co., Ltd. *1 Nabtesco Automotive Corporation *1 Nabtesco Service Co., Ltd. *1 NABTEC Co., Ltd. *1 Dairiki Tekko Co., Ltd. *2 Takato Electronics Co., Ltd. *2	Jiangsu Nabtesco KTK Railroad Products Co., Ltd. *1 Nabtesco Oclap S.r.l *1 NABMIC B.V. *1 Nabtesco Marine Service Singapore Pte Ltd *1 Nabtesco Marinetec Co., Ltd. *1 Nabtesco Marine Control Systems (Shanghai) Co., Ltd. *1 Nabtesco Marine Machinery (Shanghai) Co., Ltd. *1 Nabtesco Automotive Products (Thailand) Co., Ltd. *1 Nabtesco Railroad Products (Beijing) Co., Ltd. *1 Taiwan Nabtesco Service Co., Ltd. *1 Minda Nabtesco Automotive Private Limited *2 NS Autotech Co., Ltd. *2
Aircraft and Hydraulic Equipment Business	Nabtesco Corporation Hyest Corporation *1 Nabtesco Link Corporation *1	Nabtesco Aerospace Inc. *1 Nabtesco Aerospace Europe GmbH *1 Nabtesco Aerospace Singapore Pte. Ltd. *1 Shanghai Nabtesco Hydraulic Co., Ltd. *1 Nabtesco Power Control (Thailand) Co., Ltd. *1 Shanghai Nabtesco Hydraulic Equipment Trading Co., Ltd. *1 Nabtesco USA Inc. *1 Shanghai Nabtesco Business Management Co., Ltd. *1
Industrial Equipment Business	Nabtesco Corporation NABCO DOOR Ltd. *1 Toyo Jidoki Co., Ltd. *1 TS Precision Co., Ltd. *1 T.S. Mechatech Co., Ltd. *1 Nabco System Co., Ltd. *2 Kyokko Denki Co., Ltd. *2 TMT Machinery Co., Ltd. *2	NABCO ENTRANCES, INC. *1 NABCO Canada Inc. *1 ROYAL DOORS LTD. *1 NABCO Auto Door (Beijing) Co., Ltd. *1 Gilgen Door Systems AG *1 Gilgen Nabtesco (Hong Kong) Limited *1 Gilgen Door Systems UK Limited *1 Gilgen Door Systems Germany GmbH *1 Gilgen Door Systems Austria GmbH *1 Gilgen Door Systems France S.A.S. *1 Gilgen Door Systems Italy srl *1 Gilgen Door Systems (Suzhou) Co., Ltd. *1 Dalian Toyo Jidoki Co., Ltd. *1 TOYO JIDOKI AMERICA CORP. *1
Total of subsidiaries and affiliates: 58	Japan: 18 companies	Overseas: 40 companies

*1 Consolidated subsidiary
*2 Equity method-applied affiliate
*3 Shares of Harmonic Drive Systems Inc. are listed on the JASDAQ Section of the Tokyo Stock Exchange.

Notes:
1. Hyest Corporation was converted into a subsidiary through the acquisition of shares effective April 1, 2015.
2. Nabtesco Link Corporation was established on July 14, 2015.
3. NABCO Canada Inc. merged and absorbed Porta Service Inc. and Nabco Entrances of Western Canada Inc. on October 1, 2015.
4. Jiangsu Nabtesco Hydraulic Co., Ltd. was renamed as Nabtesco (China) Precision Equipment Co., Ltd. on October 22, 2015. As a result, Nabtesco (China) Precision Equipment Co., Ltd. was transferred from the aircraft and hydraulic equipment segment to the precision equipment segment effective the third quarter of consolidated FY 2015.
5. Hyest Corporation is scheduled to be merged and absorbed into the Company, the surviving company, on April 1, 2016.

(2) Diagram of Businesses of Nabtesco Group

Nabtesco Corporation → Customers

Business	Category	Total of consolidated subsidiaries: 48	Total of equity method affiliates: 10
Precision Equipment Business	(Precision reduction gears)	Nabtesco Precision Europe GmbH Nabtesco Motion Control Inc. Nabtesco (China) Precision Equipment Co., Ltd.	Nabtesco Marine Machinery (Shanghai) Co., Ltd. Harmonic Drive L.L.C. Harmonic Drive Systems Inc.
	(Others)	Diavac Limited CMET, Inc. Changzhou Nabtesco Precision Machinery Co., Ltd.	
Transport Equipment Business	(Railroad vehicle equipment)	Jiangsu Nabtesco KTK Railroad Products Co., Ltd. Nabtesco Oclap S.r.l.	Dairiki Tekko Co., Ltd.
	(Marine vessels equipment)	NABMIC B.V. Nabtesco Marine Service Singapore Pte. Ltd. Nabtesco Marinetec Co., Ltd. Shikoku Marine Customer Service Co., Ltd. Nabtesco Marine Control Systems (Shanghai) Co., Ltd. Nabtesco Marine Machinery (Shanghai) Co., Ltd.	Takato Electronics Co., Ltd.
	(Commercial vehicle equipment)	Nabtesco Automotive Corporation Nabtesco Automotive Products (Thailand) Co., Ltd.	Minda Nabtesco Automotive Private Limited
	(Others)	Nabtesco Service Co., Ltd. Nabtesco Railroad Products (Beijing) Co., Ltd. Taiwan Nabtesco Service Co., Ltd. NABTEC Co., Ltd.	NS Autotech Co., Ltd.
Aircraft and Hydraulic Equipment Business	(Aircraft equipment)	Nabtesco Aerospace Inc. Nabtesco Aerospace Europe GmbH Nabtesco Aerospace Singapore Pte. Ltd.	
	(Hydraulic equipment)	Shanghai Nabtesco Hydraulic Co., Ltd. Nabtesco Power Control (Thailand) Co., Ltd. Shanghai Nabtesco Hydraulic Equipment Trading Co., Ltd. Hyest Corporation	
	(Others)	Nabtesco USA Inc. Shanghai Nabtesco Business Management Co., Ltd. Nabtesco Link Corporation	
Industrial Equipment Business	(Automatic doors)	NABCO DOOR Ltd. NABCO ENTRANCES, Inc., etc. NABCO Auto Door (Beijing) Co., Ltd. Gilgen Door System AG, etc.	Nabco System Co., Ltd.
	(Automatic packaging machinery)	Toyo Jidoki Co., Ltd. Dalian Toyo Jidoki Co., Ltd. TOYO JIDOKI AMERICA CORP.	
	(Others)	TS Precision Co., Ltd. T.S. Mechatech Co., Ltd.	Kyokko Denki Co., Ltd. TMT Machinery Co., Ltd.

3. Management Policy

(1) Basic Policy of the Management of the Company

In May 2014, the Group formulated a new Medium-Term Management Plan "Think Global! Act Local! For the Second Decade" for the next three-year period starting in FY 2014 with the aim of steadily stepping forward to the achievement of its long-term visions toward FY 2020 based on the corporate philosophy as described below.

[Corporate Philosophy]

The Nabtesco Group, with our unique motion control technology, will provide safety, comfort and a sense of security in daily lives as well as any form of transportation.

[Long-term Vision] Status on FY 2020

"Global Partner with Best Solutions" Targeted Financial Figures for FY 2020 Sales: 400 billion yen Operating income: 60 billion yen

[Medium-Term Management Plan]

"Think Global! Act Local! For the Second Decade" — Challenge & Creation —

- Endless pursuit of customer satisfaction
- Further expansion of international businesses
- Development of new technologies and open innovations
- Establishment of global production system
- Improvement of shareholders' value and corporate value

(2) Target Management Indices

The Group has set medium-term management targets spanning FY 2014 through FY 2016 as follows:

1) Further expansion of business scale and pursuance of profitability
- Targets for FY 2016: ¥280.0 billion (±5%) in net sales; ¥34.0 billion in operating income (12.0% in operating margin); and ¥24.0 billion in net income.
- Net income per share: ¥190

2) Promoting management with the conscious of assets and capital efficiency (ROA and ROE)
- Achieve 7.5% in ROA and 15.0% in ROE for FY 2016.

3) Distribution of business earnings with the conscious of corporate growth

Allocation of business earnings, taking into consideration the balance among strategic growth investments, maintaining financial soundness, and shareholder return
- Accumulated amount of capital expenditure for the three-year period: ¥45.0 billion
- Accumulated amount of R&D expenses for the three-year period: ¥23.0 billion
- Continuation of stable dividend payments (target pay-out ratio of 30% or higher; no dividend cuts unless the payment ratio exceeds 40%)

Note: These medium-term management targets, which were announced in May 2014 prior to the change in accounting period, had been formulated with the fiscal year ending March 2017 as the final year. For the plan for FY 2016 (fiscal year ending December 2016), refer to the "Forecast of Consolidated Business Results for FY 2016" and materials attached to the Summary of Consolidated Financial Statements.

(3) Mid- to Long-Term Management Strategies

During the new Medium-Term Management Plan period, we will implement strategic investments toward future growth based on the allocation of corporate profits in light of growth potential with the aim of achieving the long-term vision.

In order to generate new businesses and expand operations in new markets, we will vigorously promote "Market Creation," and engage in "Technology Innovation" to support and accelerate such efforts, and by leveraging these two key strategies, realize steady business growth through our "Financial Strategy."

1) Growing business through "Market Creation" and generating new businesses

- As a Best Solution Partner that provides "safety, comfort, and a sense of security," the Group will launch highly value-added new products in the market (precision reduction gears, railroad vehicle equipment, aircraft equipment, hydraulic equipment, etc.)
- By further promoting overseas business expansion, the Group will enhance its presence in new markets, in particular, emerging countries.
- In order to secure stable profits, the Group will aim to establish and reinforce the maintenance, repair, and overhaul (MRO) system in promising markets.
- The Group will take measures for the strengthening and penetration of the "Nabtesco" brand.

2) Promoting product development through "Technology Innovation" and establishing a global production system

- The Group will promote in-house development and joint development in order to provide products that meet wide-ranging needs in a speedy manner.
- By establishing a global production system, the Group will establish a system to promote "local production for local consumption."
- The Group will promote the conversion of domestic plants into mother plants and their modernization.

3) Generating cash income to sustain strategic investment based on the "Financial Strategy" and realizing stable returns for shareholders

- The Group will endeavor to enhance asset efficiency.
- As for fund raising, the Group will aim to maintain its credit rating by using debt issuance as the principle funding method.
- With the aim of increasing dividends by continuously expanding net income per share, the Group will set a new dividend policy in which the target pay-out ratio is 30% or higher on a consolidated basis and that dividends will not be cut unless the pay-out ratio exceeds 40% on a consolidated basis.
- Investments for future growth will focus on 1) the modernization of domestic plants to increase production; 2) the promotion of R&D; and 3) the preparation of fund for strategic M&A.

(4) Challenges Facing the Company

"Business Development"

We position the achievement of the Medium-Term Management Plan as our top priority issue, and will focus on addressing the following challenges facing the Company in the foreseeable future:

- Establish business models to match the needs of each market; Enhance the profitability of overseas businesses.
- Develop products that respond to wide-ranging market needs; Develop products that differentiate themselves by taking advantage of superior general technologies.
- Establish a swift decision-making system that responds to globalization; Strengthen risk management capabilities.
- Secure, cultivate, and strengthen global human resources to serve as the base of our global business.
- Maintain and reinforce management systems in order to prevent information security risks.

4. Basic Concept on the Selection of Accounting Standards

The Group has been considering the application of the IFRS for the purpose of improving the comparability of financial information in the capital markets on a global basis and facilitating the comparison of operating results within the Group by unifying the accounting standards and accounting periods.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Million yen)

	End of consolidated FY 2014 (as of March 31, 2015)	End of consolidated FY 2015 (as of December 31, 2015)
Assets		
Current assets		
Cash and time deposits	34,157	22,068
Notes and accounts receivable	57,115	59,750
Marketable securities	17,000	13,000
Goods and products	5,770	5,579
Products in progress	9,473	11,622
Raw materials and stored goods	9,921	11,219
Deferred tax assets	3,020	1,975
Other current assets	3,058	3,597
Allowance for doubtful accounts	(194)	(238)
Total current assets	139,321	128,575
Fixed assets		
Tangible fixed assets		
Buildings and structures	48,842	50,637
Accumulated depreciation	(30,227)	(30,927)
Buildings and structures (net)	18,614	19,709
Machinery and transport equipment	67,531	69,647
Accumulated depreciation	(48,621)	(52,554)
Machinery and transport equipment (net)	18,909	17,092
Tools, apparatus and furniture	24,857	26,188
Accumulated depreciation	(21,457)	(22,362)
Tools, apparatus and furniture (net)	3,399	3,825
Land	14,713	13,737
Construction in progress	1,240	1,551
Total tangible fixed assets	56,877	55,916
Intangible fixed assets		
Goodwill	17,987	19,424
Other intangible fixed assets	4,118	4,233
Total intangible fixed assets	22,105	23,657
Investments and other assets		
Investments in securities	25,431	23,057
Assets concerning retirement benefits	231	204
Deferred tax assets	455	465
Other investments and other assets	1,659	1,585
Allowance for doubtful accounts	(90)	(82)
Total investments in securities and other assets	27,687	25,231
Total fixed assets	106,670	104,805
Total assets	245,992	233,381

(Million yen)

	End of consolidated FY 2014 (as of March 31, 2015)	End of consolidated FY 2015 (as of December 31, 2015)
Liabilities		
Current liabilities		
Trade notes and accounts payable	37,607	38,643
Short-term loans payable	6,491	5,256
Bonds payable within one year	-	10,000
Current portion of long-term loans payable	84	76
Income taxes payable	4,666	1,056
Allowance for product warranty	884	611
Provision for loss on order received	32	5
Other current liabilities	15,064	17,349
Total current liabilities	64,830	73,000
Long-term liabilities		
Bonds	10,000	-
Long-term loans payable	84	-
Allowance for retirement bonus for directors	210	180
Liabilities concerning retirement benefit	6,687	7,339
Deferred tax liabilities	3,464	2,093
Other long-term liabilities	2,051	1,842
Total long-term liabilities	22,497	11,456
Total liabilities	87,327	84,456
Net assets		
Shareholders' equity		
Capital stock	10,000	10,000
Capital surplus	18,989	14,237
Earned surplus	107,554	107,487
Treasury stock	(2,928)	(2,718)
Total shareholders' equity	133,615	129,005
Accumulated other comprehensive income		
Net unrealized gains on securities	3,447	2,159
Deferred gains or losses on hedges	(2)	3
Translation adjustments	12,977	11,597
Accumulated adjustments concerning retirement benifits	(175)	(697)
Total accumulated other comprehensive income	16,246	13,062
Subscription rights to shares	391	379
Non-controlling interests	8,410	6,476
Total net assets	158,664	148,924
Total liabilities and net assets	245,992	233,381

(2)Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
Consolidated Statements of Income

(Million yen)

	FY 2014 (From April 1, 2014 to March 31, 2015)	FY 2015 (From April 1, 2015 to December 31, 2015)
Net sales	219,657	187,000
Cost of sales	158,693	136,576
Gross profit	60,963	50,423
Selling, general and administrative expenses	37,347	35,129
Operating income	23,615	15,294
Non-operating income		
Interest income	198	171
Dividend income	137	88
Rent income	190	106
Equity in earnings of affiliates	2,116	1,710
Foreign exchange gains	915	-
Other non-operating income	404	400
Total	3,963	2,476
Non-operating expenses		
Interest expenses	199	148
Foreign exchange losses	-	986
Other non-operating expenses	185	218
Total	385	1,352
Ordinary income	27,193	16,418
Extraordinary gains		
Gain on sales of fixed assets	21	32
Gain on sales of investment securities	0	2,064
Gain on negative goodwill	3	-
Total	24	2,096
Extraordinary losses		
Loss on disposal of fixed assets	154	336
Impairment loss	-	2,111
Business structure improvement expenses	-	287
Loss on valuation of golf club membership	-	3
Loss on revision of retirement benefit plan	36	385
Expenses on environmental measures	-	31
Total	191	3,156
Income before income taxes and adjustments	27,026	15,358
Corporate, resident and business taxes	8,699	5,348
Adjustment for corporate and other taxes	555	383
Total corporate and other taxes	9,254	5,731
Net income	17,771	9,626
Profit/loss attributable to non-controlling interests	25	(1,432)
Net income attributable to parent company shareholders	17,746	11,059

Consolidated Statements of Comprehensive Income

(Million yen)

	FY 2014 (From April 1, 2014 to March 31, 2015)	FY 2015 (From April 1, 2015 to December 31, 2015)
Net income	17,771	9,626
Other comprehensive income		
Valuation difference on available-for-sale securities	1,657	(1,268)
Deferred gains or losses on hedges	(1)	6
Foreign currency translation adjustment	4,408	(1,771)
Adjustments concerning retirement benefits	133	(521)
Share of other comprehensive income of associates accounted for using equity method	271	(67)
Total other comprehensive income	6,469	(3,622)
Comprehensive income	24,241	6,004
[Comprehensive income attributable to:]		
Parent company shareholders	23,198	7,875
Non-controlling interests	1,043	(1,871)

(3) Consolidated Statements of Change in Net Assets

FY 2014 (From April 1, 2014 to March 31, 2015)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Earned surplus	Treasury stock	Total shareholders' equity
Balance at beginning of the term	10,000	19,011	94,225	(2,987)	120,248
Cumulative effect of change in accounting policy			677		677
Balance at beginning of the term after reflecting change in accounting policy	10,000	19,011	94,902	(2,987)	120,926
Change during the term					
Cash dividends			(5,088)		(5,088)
Net income attributable to owners of the parent			17,746		17,746
Acquisition of treasury stock				(2)	(2)
Disposal of treasury stock		(21)		62	40
Employees' welfare fund for overseas subsidiaries			(6)		(6)
Changes in items other than shareholders' equity during the term (net)					
Total change during the term	–	(21)	12,651	59	12,689
Balance at end of the term	10,000	18,989	107,554	(2,928)	133,615

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Net unrealized gains on securities	Unrealized deferred gain or loss on hedges	Translation adjustments	Accumulated adjustments concerning retirement benefits	Total accumulated other comprehensive income			
Balance at beginning of the term	1,783	(1)	9,321	(309)	10,794	306	8,121	139,471
Cumulative effect of change in accounting policy								677
Balance at beginning of the term after reflecting change in accounting policy	1,783	(1)	9,321	(309)	10,794	306	8,121	140,149
Change during the term								
Cash dividends								(5,088)
Net income attributable to owners of the parent								17,746
Acquisition of treasury stock								(2)
Disposal of treasury stock								40
Employees' welfare fund for overseas subsidiaries								(6)
Changes in items other than shareholders' equity during the term (net)	1,663	(1)	3,656	133	5,451	84	289	5,825
Total change during the term	1,663	(1)	3,656	133	5,451	84	289	18,515
Balance at end of the term	3,447	(2)	12,977	(175)	16,246	391	8,410	158,664

FY 2015 (From April 1, 2015 to December 31, 2015)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Earned surplus	Treasury stock	Total shareholders' equity
Balance at beginning of the term	10,000	18,989	107,554	(2,928)	133,615
Change during the term					
Cash dividends			(5,784)		(5,784)
Net income attributable to owners of the parent			11,059		11,059
Acquisition of treasury stock				(10,002)	(10,002)
Disposal of treasury stock		(93)		212	118
Cancellation of treasury stock		(4,658)	(5,341)	9,999	–
Employees' welfare fund for overseas subsidiaries			(0)		(0)
Changes in items other than shareholders' equity during the term (net)					
Total change during the term	–	(4,752)	(67)	209	(4,610)
Balance at end of the term	10,000	14,237	107,487	(2,718)	129,005

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Net unrealized gains on securities	Unrealized deferred gain or loss on hedges	Translation adjustments	Accumulated adjustments concerning retirement benefits	Total accumulated other comprehensive income			
Balance at beginning of the term	3,447	(2)	12,977	(175)	16,246	391	8,410	158,664
Change during the term								
Cash dividends								(5,784)
Net income attributable to owners of the parent								11,059
Acquisition of treasury stock								(10,002)
Disposal of treasury stock								118
Cancellation of treasury stock								–
Employees' welfare fund for overseas subsidiaries								(0)
Changes in items other than shareholders' equity during the term (net)	(1,288)	6	(1,379)	(521)	(3,183)	(11)	(1,934)	(5,129)
Total change during the term	(1,288)	6	(1,379)	(521)	(3,183)	(11)	(1,934)	(9,739)
Balance at end of the term	2,159	3	11,597	(697)	13,062	379	6,476	148,924

(4) Consolidated Statements of Cash Flows

(Million yen)

	FY 2014 (From April 1, 2014 to March 31, 2015)	FY 2015 (From April 1, 2014 to December 31, 2015)
Cash flows from operating activities		
Income before income taxes	27,026	15,358
Depreciation and amortization	6,258	6,363
Impairment loss	-	2,111
Amortization of goodwill	1,225	1,608
Gain on negative goodwill	(3)	-
Share-based compensation expenses	125	106
Increase (decrease) in allowance for doubtful accounts	(132)	41
Increase (decrease) in liabilities concerning retirement benefits	656	38
Increase (decrease) in reserve for directors’ retirement accounts	2	(52)
Interest and dividend income	(335)	(259)
Interest expenses	199	148
Foreign exchange loss (gain)	(306)	(17)
Equity loss (gain) in earnings of affiliates	(2,116)	(1,710)
Loss (gain) on sales of fixed assets	(21)	(32)
Loss (gain) on disposal of fixed assets	154	336
Loss (gain) on sales of marketable securities and investments in securities	(0)	(2,064)
Loss on valuation of golf club membership	-	3
Decrease (increase) in notes and accounts receivable	(2,775)	(618)
Decrease (increase) in inventories	(1,605)	(2,736)
Decrease (increase) in other assets	55	(487)
Increase (decrease) in notes and accounts payable	1,532	(392)
Increase (decrease) in consumption taxes payable	(20)	188
Increase (decrease) in other liabilities	(62)	(1,029)
Subtotal	29,857	16,904
Interest and dividend received	928	890
Interest paid	(206)	(149)
Income taxes refunded (paid)	(10,630)	(8,899)
Net cash and cash equivalents provided by operating activities	19,949	8,746

(Million yen)

	FY 2014 (From April 1, 2014 to March 31, 2015)	FY 2015 (From April 1, 2014 to December 31, 2015)
Cash flows from investing activities		
Increase in time deposits	(178)	(7)
Proceeds from withdrawal from time deposits	173	309
Purchases of tangible fixed assets	(5,416)	(6,193)
Proceeds from sales of tangible fixed assets	110	929
Purchases of intangible fixed assets	(1,190)	(875)
Purchases of investment securities	(47)	(13)
Proceeds from sales of investment securities	12	3,314
Purchase of stocks of subsidiaries	(68)	-
Purchase of investments in capital of subsidiaries	(146)	-
Purchase of stocks of affiliates	(73)	(28)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(767)	(2,220)
Expenses related to business transfer	(213)	(37)
Other payments	(440)	(96)
Other proceeds	365	31
Net cash and cash equivalents used in investing activities	(7,880)	(4,886)
Cash flows from financing activities		
Increase (decrease) in short-term bank loans	(58)	(3,298)
Repayment of long-term loans payable	(10,228)	(80)
Proceeds from stock issuance to minority shareholders	-	33
Payments for purchases of treasury stock	(2)	(10,001)
Proceeds from sales of treasury stock	0	0
Cash dividends paid	(5,083)	(5,659)
Cash dividends paid to minority shareholders	(514)	(83)
Net cash and cash equivalents used in financing activities	(15,888)	(19,090)
Effect exchange rate changes on cash and cash equivalents	1,222	(513)
Increase (decrease) in cash and cash equivalents	(2,597)	(15,745)
Cash and cash equivalents at beginning of term	53,052	50,455
Cash and cash equivalents at end of term	50,455	34,709

(5) Notes to Consolidated Financial Statements

(Notes Relating to the Going Concern Assumption)

None

(Important Matters Concerning Presentation of Consolidated Financial Statements)

With respect to important matters concerning the presentation of consolidated financial statements, the disclosures are omitted as there has been no significant change from the most recent Securities Report (filed on June 24, 2015).

(Change in Accounting Policies)

The "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, revised on September 13, 2013), the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, revised on September 13, 2013), and the "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, revised on September 13, 2013) have been applied from the beginning of the consolidated fiscal year under review. Under these accounting standards, the Company recorded the differences caused by changes in the Company's equity shares in subsidiaries which the Company continues to control as capital surplus. In addition, the Company recorded acquisition-related costs as expenses in the fiscal years in which the costs were incurred. Regarding business combinations taking place during the period from the beginning of the consolidated fiscal year under review, the Company changed the method to reflect changes in the allocation of acquisition costs arising from confirmation of the provisional accounting treatment on the consolidated financial statements of the fiscal year that includes the acquisition date. Furthermore, the Company changed the methods of presentation of net income, and the presentation of minority interests to non-controlling interests. For the purpose of reflecting the relevant changes to the presentation, the financial statements for the full-year period of the previous consolidated fiscal year were restated.

The Company adopted the Accounting Standards for Business Combinations, etc., from the beginning of the consolidated fiscal year under review, following transitional treatment as stipulated in Article 58-2(4) of "Accounting Standard for Business Combinations," Article 44-5(4) of "Accounting Standard for Consolidated Financial Statements," and Article 57-4(4) of "Accounting Standard for Business Divestitures."

In the Consolidated Statements of Cash Flows for the consolidate fiscal year under review, cash flows concerning the purchase or sales of shares of subsidiaries not resulting in change in scope of consolidation are classified under "cash flows from financing activities" and cash flows concerning expenses related to the purchase of shares of subsidiaries resulting in change in scope of consolidation or expenses arising from the purchase or sales of shares of subsidiaries not resulting in change in scope of consolidation are classified under "cash flows from operating activities."

The impact of the adoption of these accounting standards on the Company's profit or loss and cash flows for the consolidated fiscal year under review and capital surplus as of the end of the same period is immaterial.

(Accounting Standards, etc. that Are Not Applied)

Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Implementation Guidance No. 26; December 28, 2015)

(1) Overview

With regards to the treatment of the recoverability of deferred tax assets, a necessary review was conducted on the following treatments following the mechanisms of the Japanese Institute of Certified Public Accountants (JICPA) Auditing Standards Committee Report No. 66 "Audit Treatment for Determining the Recoverability of Deferred Tax Assets," whereby companies are categorized into five categories and deferred tax assets are calculated based on each of these categories.

(i) Treatment of companies that do not fulfill any of the requirements for classification from Category 1 to Category 5.
(ii) Requirements for classification as Category 2 and Category 3
(iii) Treatment of temporary differences in future temporary differences that cannot be scheduled for companies applicable to Category 2
(iv) Treatment concerning the reasonable estimable period of temporary differences in future pre-adjusted taxable income for companies applicable to Category 3
(v) Treatment in cases where a company fulfilling the requirements of Category 4 is also applicable to Category 2 or Category 3

(2) Scheduled application date

To be applied at the end of the consolidated fiscal year ending December 2016.

(3) Impacts of the application of these accounting standards, etc.

The amount to be affected is now being evaluated at the time of preparation of the consolidated financial statements for the fiscal year under review.

(Omission of Disclosure)

Disclosures concerning the notes to the following matters are omitted due to the lack of necessity of disclosure in the Financial Summary: Changes to the presentation method; consolidated balance sheets; consolidated statements of income; consolidated statements of comprehensive income; consolidated statements of change in net assets; consolidated statements of cash flow; lease transactions; financial instruments; securities; derivatives transactions; retirement benefits; stock options, etc.; tax effects; corporate combinations; asset retirement obligations; and real properties including rents and other related information.

(Additional Information)

(Matters concerning a change in the consolidated account closing date)

The Company and its domestic consolidated subsidiaries changed their account closing dates from March 31 to December 31 starting from the consolidated fiscal year under review, and at the same time changed the consolidated account closing date from March 31 to December 31. As a result, the consolidated fiscal year ending December 2015 is a transitional period for the change in the accounting period. With respect to the said consolidated fiscal year, the consolidated operating results cover nine months (April 1, 2015 to December 31, 2015) for companies that close their accounts in March, as opposed to 12 months (January 1, 2015 to December 31, 2015) for companies that close their accounts in December.

(Segment Information)

(1) Summary of Reportable Segments

The Company's reportable segments are components of the Company about which separate financial statement is available that is evaluated regularly at the Board of Directors' meetings in deciding how to allocate the management resources and in assessing performance.

The Group is engaged in manufacturing and sale of products based mainly on motion-control technology, consisting of four reportable segments: Precision equipment, transport equipment, aircraft and hydraulic equipment and industrial equipment.

Principal products in the precision equipment business include precision reduction gears, precision actuators, three-dimensional rapid prototyping equipment, and vacuum equipment, etc. Products in the transport equipment segment include brake systems and door operating systems for railway vehicles, air-braking systems for commercial vehicles and main propulsion control systems for marine vessels, etc. The aircraft and hydraulic equipment segment covers aircraft equipment, traveling motors for construction machinery, drive units for wind turbine generators, etc. Our products in the industrial equipment segment include automatic doors for buildings, automatic food sealers, and special-purpose machine tools, etc.

(2) Calculation method of sales, income or loss, assets, liabilities and other accounting items by reportable segment

Accounting method of business segments reported is almost the same as that described in the "Significant matters providing the basis for preparing consolidated financial statements."

Intersegment sales or transfer are indicated based on market price.

(3) Information on the amounts of sales, income or loss, assets, liabilities and other accounting items by reportable segment

FY 2014 (April 1, 2014 to March 31, 2015)

(Million yen)

	Reportable segment					Adjustments (Note 1)	Amount stated in consolidated financial statements
	Precision Equipment	Transport Equipment	Aircraft and Hydraulic Equipment	Industrial Equipment	Total		
Net sales							
Sales to external customers	51,547	61,388	47,857	58,863	219,657	–	219,657
Inter-segment sales or transfer	53	204	1,253	189	1,700	(1,700)	–
Total	51,601	61,592	49,111	59,052	221,357	(1,700)	219,657
Segment income	8,356	11,355	995	2,908	23,615	–	23,615
Segment assets	42,768	43,661	49,799	65,411	201,641	44,351	245,992
Segment liabilities	15,393	16,372	12,593	20,314	64,674	22,652	87,327
Other items							
Depreciation and amortization	1,240	1,175	2,453	962	5,832	426	6,258
Amortization of goodwill	–	–	–	1,225	1,225	–	1,225
Gain on negative goodwill	(3)	–	–	–	(3)	–	(3)
Increases in tangible fixed assets and intangible fixed assets	1,011	1,503	1,163	1,899	5,578	1,340	6,918

Note: 1. Details of adjustments are as follows:

(1) Adjustment to inter-segment sales or transfer is a negative ¥1,700 million as a result of eliminations.

(2) Total assets of the Company included in adjustment to segment assets, and not allocated to the respective reportable segments are ¥46,664 million, consisting mainly of surplus operating fund in the Company (cash and deposits, etc.) and long-term investments (investment securities, etc.).

(3) Part of the total liabilities of the Company included in adjustment to segment liabilities does not belong to the respective reportable segments, out of which the principal items are loans payable and bonds payable of the Company.

(4) Adjustments of ¥1,340 million in increases in tangible fixed assets and intangible fixed assets represent capital expenditures of the total assets of the Company not allocated to the respective reportable segments.

FY 2015 (April 1, 2015 to December 31, 2015)

(Million yen)

	Reportable segment					Adjustments (Note 1)	Amount stated in consolidated financial statements
	Precision Equipment	Transport Equipment	Aircraft and Hydraulic Equipment	Industrial Equipment	Total		
Net sales							
Sales to external customers	45,327	46,848	39,524	55,299	187,000	–	187,000
Inter-segment sales or transfer	66	222	1,243	271	1,804	(1,804)	–
Total	45,394	47,071	40,767	55,571	188,805	(1,804)	187,000
Segment income	6,824	7,890	(2,029)	2,610	15,294	–	15,294
Segment assets	52,197	41,922	48,375	64,409	206,904	26,476	233,381
Segment liabilities	17,926	14,060	13,466	19,631	65,085	19,371	84,456
Other items							
Depreciation and amortization	1,068	1,179	2,457	1,199	5,904	459	6,363
Amortization of goodwill	–	–	267	1,340	1,608	–	1,608
Increases in tangible fixed assets and intangible fixed assets	3,555	1,228	1,649	1,661	8,095	886	8,982

Note: 1. Details of adjustments are as follows:

(1) Adjustment to inter-segment sales or transfer is a negative ¥1,804 million as a result of eliminations.

(2) Total assets of the Company included in adjustment to segment assets, and not allocated to the respective reportable segments are ¥26,476 million, consisting mainly of surplus operating fund in the Company (cash and deposits, etc.) and long-term investments (investment securities, etc.).

(3) Part of the total liabilities of the Company included in adjustment to segment liabilities does not belong to the respective reportable segments, out of which the principal items are loans payable and bonds payable of the Company.

(4) Adjustments of ¥886 million in increases in tangible fixed assets and intangible fixed assets represent capital expenditures of the total assets of the Company not allocated to the respective reportable segments.

(Information concerning impairment loss from fixed assets by reportable segment)

FY 2014 (April 1, 2014 to March 31, 2015) (Consolidated basis)
Not applicable.

FY 2015 (April 1, 2015 to December 31, 2015) (Consolidated basis)

(Million yen)

	Reportable segment					Corporate/ Elimination	Total
	Precision Equipment	Transport Equipment	Aircraft and Hydraulic Equipment	Industrial Equipment	Total		
Impairment loss	–	–	2,111	–	2,111	–	2,111

(Amortized amount of goodwill and the balance of unamortized amounts by reportable segment)

FY 2014 (April 1, 2014 to March 31, 2015) (Consolidated basis)

(Million yen)

	Reportable segment					Corporate/ Elimination	Total
	Precision Equipment	Transport Equipment	Aircraft and Hydraulic Equipment	Industrial Equipment	Total		
(Goodwill)							
Amortized amount for FY 2014	–	–	–	1,225	1,225	–	1,225
Balance at end of the term	–	–	–	17,987	17,987	–	17,987
(Negative goodwill)							
Amortized amount for FY 2014	(3)	–	–	–	(3)	–	(3)
Balance at end of the term	–	–	–	–	–	–	–

FY 2015 (April 1, 2015 to December 31, 2015) (Consolidated basis)

(Million yen)

	Reportable segment					Corporate/ Elimination	Total
	Precision Equipment	Transport Equipment	Aircraft and Hydraulic Equipment	Industrial Equipment	Total		
(Goodwill)							
Amortized amount for FY 2015	–	–	267	1,340	1,608	–	1,608
Balance at end of the term	–	–	2,581	16,842	19,424	–	19,424
(Negative goodwill)							
Amortized amount for FY 2015	–	–	–	–	–	–	–
Balance at end of the term	–	–	–	–	–	–	–

(Gains on negative goodwill by reportable segment)

FY 2014 (April 1, 2014 to March 31, 2015) (Consolidated basis)

In the "Precision equipment business," Changzhou Nabtesco Kusaka Precision Machinery Co., Ltd. was converted into a wholly owned subsidiary effective January 14, 2015, changing its name to Changzhou Nabtesco Precision Machinery Co., Ltd.

The recorded amount of gain on negative goodwill arising from the said event was ¥3 million in the consolidated fiscal year under review.

FY 2015 (April 1, 2015 to December 31, 2015) (Consolidated basis)
Not applicable.

(Per Share Information)

	FY 2014 (Consolidated basis) (April 1, 2014 to March 31, 2015)	FY 2015 (Consolidated basis) (April 1, 2015 to December 31, 2015)
Net assets per share	1,184.17 yen	1,150.41 yen
Net income per share	140.24 yen	88.85 yen
Fully diluted net income per share	139.99 yen	88.75 yen

Notes:
1. Net income per share and fully diluted net income per share were calculated on the basis of the following data.
2. Since the current consolidated fiscal year under review is a transitional period for the change in accounting period, net income per share and fully diluted net income per share for the fiscal year ended December 2015 cover different periods from the previous consolidated fiscal year.

	FY 2014 (Consolidated basis) (April 1, 2014 to March 31, 2015)	FY 2015 (Consolidated basis) (April 1, 2015 to December 31, 2015)
Net income per share		
Net income attributable to owners of the parent (million yen)	17,746	11,059
Amount not attributable to shareholders of common stock (million yen)	–	–
Net income related to common stock attributable to owners of the parent (million yen)	17,746	11,059
Average number of shares of common stock outstanding during the term	126,541,932	124,471,488
Fully diluted net income per share		
Adjustment to net income attributable to owners of the parent (million yen)	–	–
Number of additional common stock shares	223,431	143,838
(Of which, share acquisition rights) (shares)	(223,431)	(143,838)
Outline of the dilutive shares not included in the calculation of fully diluted net income per share due to a lack of dilutive effect	–	–

3. Net assets per share were calculated on the basis of the following data.

	As of March 31, 2015	As of December 31, 2015
Total net assets (million yen)	158,664	148,924
Amounts deducted from total net assets (million yen)	8,801	6,855
(Of which, share acquisition rights)	(391)	(379)
(Of which, non-controlling interests)	(8,410)	(6,476)
Net assets as of end of the term related to common stock (million yen)	149,862	142,068
Number of shares of common stock used to calculate net assets per share	126,554,801	123,494,323

6. Other Information

(1) Output and Order Backlog by Business Segment

1) Output

Reportable Segments	FY 2014 (From April 1, 2014 to March 31, 2015)		FY 2015 (From April 1, 2015 to December 31, 2015)	
	Amount (million yen)	% to total	Amount (million yen)	% to total
Precision Equipment	49,563	22.3	46,483	24.2
Transport Equipment	62,966	28.3	48,614	25.4
Aircraft and Hydraulic Equipment	49,859	22.4	38,577	20.1
Industrial Equipment	60,047	27.0	58,105	30.3
Total	222,436	100.0	191,781	100.0

2) Order Backlog

Reportable Segments	FY 2014 (March 31, 2015)		FY 2015 (December 31, 2015)	
	Amount (million yen)	% to total	Amount (million yen)	% to total
Precision Equipment	13,876	15.0	13,736	14.9
Transport Equipment	24,121	26.1	23,991	25.9
Aircraft and Hydraulic Equipment	31,668	34.3	32,985	35.6
Industrial Equipment	22,763	24.6	21,873	23.6
Total	92,431	100.0	92,586	100.0

(2) Status of Capital Expenditure, Financial Account Balance and Employees

(Million yen)

	FY 2014 (From April 1, 2014 to March 31, 2015)		FY 2015 (From April 1, 2015 to December 31, 2015)	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
1. Capital expenditure	6,918	3,923	8,982	4,849
[Tangible fixed assets included in the above amount]	[5,466]	[3,077]	[8,107]	[4,158]
2. Depreciation and amortization	6,258	3,382	6,363	2,948
[Tangible fixed assets included in the above amount]	[5,482]	[2,987]	[5,630]	[2,547]
3. R&D expense	6,876	4,576	5,800	3,691
4. Corporate bonds and loans payable	16,659	13,400	15,333	13,400
5. Financial account balance	135	4,612	111	3,503
[Dividend income included in the above amount]	[137]	[4,682]	[88]	[3,537]
6. Number of employees at end of the term	5,552 persons	2,102 persons	5,839 persons	2,167 persons